

CITY OF CENTRAL, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2014

CITY OF CENTRAL, LOUISIANA

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Central, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL (CITY)** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the City as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

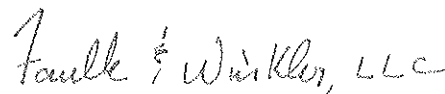
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 3 through 11 and 36 through 40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the **CITY OF CENTRAL, LOUISIANA's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

CITY OF CENTRAL, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our analysis of the City of Central's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities and currently known facts, and should be read in conjunction with the financial statements which begin on Exhibit A.

FINANCIAL HIGHLIGHTS

In 2014, the City of Central experienced consistent revenues compared to the prior year while expenditures increased 3% from the prior year. The City has contracts with a private organization to provide administrative, financial, public works, code enforcement, permitting, and inspection services. In 2014, the cost of this contract was \$3.2 million, which represents 55% of total expenditures. Additionally, the City received sales tax of \$6.7 million. Throughout this period, the City has focused on maintaining a logical and thoughtful alignment of City resources to community needs.

The major financial highlights for 2014 are as follows:

- Assets of the City's primary government exceeded its liabilities at the end of the year by \$23.8 million (net position). Net position includes \$16.9 million that may be used without restriction to meet the City's ongoing obligations to citizens and creditors.
- The primary government's total net position increased by \$3.8 million during 2014 which mirrors the increase in the City's net position during the prior fiscal year.
- At year end, the City's governmental funds reported fund balances of \$22.5 million, an increase of \$3.9 million in comparison to the prior year, with restrictions or commitments as follows:
 - a) Capital projects - \$5.5 million
 - b) Operational reserves - \$750,000
 - c) Emergency repairs and maintenance - \$2.3 million
 - d) Drainage repairs and maintenance - \$2.3 million
 - e) Road maintenance - \$2 million

Significant aspects of the City's financial well being, as of and for the year ended June 30, 2014, are detailed throughout this analysis.

USING THIS ANNUAL REPORT

The City's financial statements focus on the government as a whole (government-wide) and on major individual funds. Both perspectives (government-wide and major funds) allow the reader to address relevant questions, broaden a basis for comparison from year to year and should enhance the City's accountability.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole.

Fund financial statements start on page 15. For governmental activities, these statements depict how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The City's auditors have provided assurance in their independent auditors' report, located immediately preceding this MD&A, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each part of this report.

Reporting on the City as a Whole

The financial statements of the City as a whole begin on page 13. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way to determine if the City is in better condition as a result of the year's financial results. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting methods used by most private-sector companies. All of the revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

These two statements report the City's net position and related changes. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of its financial health. You will need to consider other non-financial factors, such as changes in the City's sales tax base, to assess the overall health of the City.

The Statement of Net Position and the Statement of Activities consist of governmental activities.

Governmental activities - The City's basic services are reported here, including public safety, public works, health and welfare, and general administration. Sales taxes and franchise fees finance the majority of these activities.

At June 30, 2014, the City's net position was \$23.8 million, of which \$16.9 million is unrestricted. Restricted net position is normally reported separately to show legal constraints from debt covenants and enabling legislation that limits the City's ability to use that net position for day-to-day operations.

Our analysis below of the primary government focuses on the net position and change in net position of the City's governmental activities.

City of Central, Louisiana
Statement of Net Position
June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Current and other assets	\$ 23,020,360	\$ 19,260,151
Capital assets	1,393,279	1,381,485
Total assets	<u>24,413,639</u>	<u>20,641,636</u>
Current and other liabilities	572,546	589,727
Long-term payable	15,775	15,360
Total liabilities	<u>588,321</u>	<u>605,087</u>
Net position:		
Invested in capital assets, net of related debt	1,393,279	1,381,485
Restricted	5,514,283	4,474,788
Unrestricted	16,917,756	14,180,276
Total net position	<u>\$ 23,825,318</u>	<u>\$ 20,036,549</u>

Net position of the City's governmental activities increased by \$3.8 million during the year ended June 30, 2014. Unrestricted net position increased by \$2.7 million. Unrestricted net position represents the amount of the net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements and may be used at the City's discretion. The changes in net position are discussed later in this analysis.

The results of the past two years' operations for the primary government as a whole, as reported in the Statement of Activities, are as follows:

City of Central, Louisiana
Changes in Net Position
For the years June 30, 2014 and 2013

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,041,663	\$ 902,372
Operating grants and contributions	41,905	438,379
Capital grants and contributions	-	50,338
General revenues:		
Sales and use taxes	6,718,491	6,533,293
Franchise taxes	1,641,615	1,453,020
Investment earnings	94,215	19,019
Total revenues	9,537,889	9,396,421
Functions/Program expenses:		
General government	600,145	623,446
Health and welfare	114,440	112,025
Public works	3,827,454	4,264,824
Highways and streets	908,779	356,208
Public safety	298,302	260,116
Total expenses	5,749,120	5,616,619
Increase in net position	3,788,769	3,779,802
Beginning net position	20,036,549	16,256,747
Ending net position	\$ 23,825,318	\$ 20,036,549

The increase in net position of \$3.8 million is primarily attributed to increases in revenues generated by charges for services, sales tax revenues, and decreases in public works expenditures.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Reporting the City's Most Significant Funds

The City's major funds begin on page 15 with the fund financial statements that provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law, and the City Council establishes other funds to control and manage financial resources for particular purposes or to meet legal responsibilities for using certain taxes, grants and other assets.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. All of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation to the financial statements. The governmental major funds (Exhibits A-2 and A-4) presentation uses the modified accrual basis and focuses on the major funds of the City. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The City has four governmental funds, which are the General Fund, Emergency Services, Drainage, and Local Road Improvement & Maintenance Fund (ESDRIM Fund), Half Cent Sales Tax and Traffic Contribution special revenue funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found in Exhibit A-6.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning original and final budgetary comparisons to actual results for the year for the City's major funds and can be found in Exhibits B through B-4.

Financial Analysis of the General Fund

The general government operations of the City are accounted for in the General Fund and special revenue funds. The focus of these funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The following is a summary of general governmental operations for 2014 by fund type:

	(in thousands)			
	2014			2013
	Special			
	General Fund	Revenue Funds	Total	Total
Revenues	\$ 6,917	\$ 2,710	\$ 9,627	\$ 9,308
Expenditures	<u>4,838</u>	<u>923</u>	<u>5,761</u>	<u>5,582</u>
Net change in fund balance	2,079	1,787	3,866	3,726
Beginning fund balance	<u>8,113</u>	<u>10,501</u>	<u>18,614</u>	<u>14,888</u>
Ending fund balance	\$ 10,191	\$ 12,289	\$ 22,480	\$ 18,614

The City's governmental funds experienced a surplus of \$3.9 million during 2014. At year end, fund balances were \$22.5 million, of which \$9.4 million is unassigned and available for utilization at the City's discretion. The remaining fund balance has been restricted for capital projects (\$5.5 million), or committed (\$7.4 million) and assigned (\$174,000) where internal constraints have been established by the City. At June 30, 2014, the fund balance of the General Fund was \$10.1 million compared to the fund balance of \$8.1 million at June 30, 2013.

The City's other major funds are the ESDRIM, Half Cent Sales Tax and Traffic Contribution special revenue funds. The ESDRIM fund balance increased by \$740,000 during 2014 to \$6.6 million. The fund balance of the Half Cent Sales Tax Fund increased by \$1 million during 2014 to \$5.5 million. The Traffic Contribution fund balance increased by \$9,800 during 2014 to \$174,000.

Sources of governmental revenues, excluding transfers, are summarized below:

<u>Source of Revenue</u>	(in thousands)			
	2014		2013	
	Revenue	%	Revenue	%
Sales and use taxes	\$ 6,869	71	\$ 6,533	70
Franchise taxes	1,545	16	1,453	16
Charges for services	1,019	10	902	9
Intergovernmental	100	1	400	4
Investment and other income	94	1	20	1
Total	<u>\$ 9,627</u>	<u>100</u>	<u>\$ 9,308</u>	<u>100</u>

Revenues of the governmental funds increased by \$320,000. This increase is directly attributable to an increase in sales and use taxes, franchise taxes, charges for services and investment income, although intergovernmental revenues decreased during 2014.

Governmental expenditures increased by \$179,000 or 3%. This increase is related to the decrease in public works expenditures and an increase in highways and street maintenance. Governmental expenditures are summarized as follows:

<u>Function</u>	(in thousands)			
	2014		2013	
	Expenditure	%	Expenditure	%
General government	\$ 584	10	\$ 626	11
Health and welfare	114	2	112	2
Public works	3,828	65	4,265	76
Highways and streets	834	14	292	5
Public safety	246	4	182	3
Capital outlay	155	4	105	3
Total	<u>\$ 5,761</u>	<u>100</u>	<u>\$ 5,582</u>	<u>100</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year the City's General Fund operating budget was amended, which is a customary practice of the City and reflects the changes that occur with financial related matters throughout the fiscal year. The most significant changes during 2014 were as follows:

- Increases in sales and use tax revenue and charges for services, and
- An increase in general government expenditures with an increase in public safety expenditures.

With these adjustments, the charges to appropriations (expenditures) were \$18,000 less than the related final budget appropriations of \$5.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the completion of the fiscal year ended June 30, 2014, the City had \$1.4 million invested in capital assets, net of accumulated depreciation of \$561,000, which was comprised of construction in progress, leasehold improvements, equipment, vehicles, and infrastructure.

	2014	2013
Construction in progress	\$ 75,617	\$ 73,512
Leasehold improvements	21,444	31,696
Equipment	78,745	106,915
Vehicles	28,473	46,465
Infrastructure	<u>1,189,000</u>	<u>1,122,897</u>
Total assets, net of accumulated depreciation	<u>\$ 1,393,279</u>	<u>\$ 1,381,485</u>

The City elected to capitalize infrastructure assets, such as roads and bridges, on a prospective basis as a Phase 3 government, in accordance with GASB No. 34. As of June 30, 2014, the City has constructed \$1,411,889 of infrastructure since inception. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Debt

As of June 30, 2014, accrued compensated absences comprise the City's long-term debt, as follows:

	Beginning of Year	Additions	Deletions	End of Year
Accrued compensated absences	<u>\$ 17,360</u>	<u>\$ 3,794</u>	<u>\$ 3,379</u>	<u>\$ 17,775</u>

More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates, including the national, state, and local economies. The General Fund's revenue is budgeted to increase by 35% to \$9 million for the 2014-2015 fiscal year while expenditures are expected to remain consistent at \$5 million. Intergovernmental revenues are expected to increase \$2.3 million during the 2014-2015 fiscal year. Additionally, judicial expenditures are expected to increase \$106,000 in the 2014-2015 fiscal year whereas planning and zoning expenditures are expected to decrease \$87,000. Highway and streets expenditures in the Half Cent Sales Tax Fund are expected to decrease \$42,000 due to completion of the ongoing rehabilitation and construction projects. A decrease in expenditures of \$698,000 related to road repair and maintenance projects is expected in the ESDRIM Fund. The administration of the City has made it a priority to complete the development and design of the Master Plan for the City of Central to provide the framework for the future growth and land use for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Office at (225) 261-5988 or 13421 Hooper Road, Suite 9, Central, Louisiana, 70818.

CITY OF CENTRAL, LOUISIANA
BASIC FINANCIAL STATEMENTS

CITY OF CENTRAL, LOUISIANA
STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,946,635
Investments	12,620,911
Due from other governments	1,002,011
Accounts receivable	450,361
Other assets	442
Capital assets:	
Nondepreciable	75,617
Depreciable, net	<u>1,317,662</u>
 Total assets	 <u><u>\$ 24,413,639</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 420,546
Sales tax refund payable	150,000
Long-term payable:	
Due within one year	2,000
Due in more than one year	<u>15,775</u>
 Total liabilities	 <u>588,321</u>
NET POSITION	
Investment in capital assets	1,393,279
Resticted for capital projects	5,514,283
Unrestricted	<u>16,917,756</u>
 Total net position	 <u>23,825,318</u>
 Total liabilities and net position	 <u><u>\$ 24,413,639</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

					Net (Expenses) Revenue and Changes in Net Position
		Program Revenues			
			Operating	Capital	
		Charges for	Grants and	Grants and	Governmental
	Expenses	Services	Contributions	Contributions	Activities
Functions/Programs					
Governmental activities:					
General government	\$ 600,145	\$ 1,041,663	\$ 41,905	\$ -	\$ 483,423
Health and welfare	114,440	-	-	-	(114,440)
Public works	3,827,454	-	-	-	(3,827,454)
Highways and streets	908,779	-	-	-	(908,779)
Public safety	298,302	-	-	-	(298,302)
Total	<u>\$ 5,749,120</u>	<u>\$ 1,041,663</u>	<u>\$ 41,905</u>	<u>\$ -</u>	<u>(4,665,552)</u>
General revenues:					
Taxes:					
Sales					6,718,491
Franchise					1,641,615
Investment earnings					<u>94,215</u>
Total general revenues					<u>8,454,321</u>
Increase in net position					3,788,769
Net position - beginning of year					<u>20,036,549</u>
Net position - end of year					\$ 23,825,318

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2014

	General	Special Revenue Funds			Total Governmental Funds
		ESDRIM	Half Cent Sales Tax	Traffic Contribution	
ASSETS					
Cash and cash equivalents	\$ 4,708,043	\$ 2,442,208	\$ 1,622,172	\$ 174,212	\$ 8,946,635
Investments	5,057,542	3,850,079	3,713,290	-	12,620,911
Due from other governments	831,256	-	170,755	-	1,002,011
Accounts receivable	35,900	405,684	8,777	-	450,361
Other assets	442	-	-	-	442
Total assets	<u>\$ 10,633,183</u>	<u>\$ 6,697,971</u>	<u>\$ 5,514,994</u>	<u>\$ 174,212</u>	<u>\$ 23,020,360</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 418,947	\$ 888	\$ 711	\$ -	\$ 420,546
Deferred revenue	22,785	96,298	-	-	119,083
Total liabilities	<u>441,732</u>	<u>97,186</u>	<u>711</u>	<u>-</u>	<u>539,629</u>
FUND BALANCE					
Nonspendable	442	-	-	-	442
Restricted for capital projects	-	-	5,514,283	-	5,514,283
Committed	750,000	6,600,785	-	-	7,350,785
Assigned	-	-	-	174,212	174,212
Unassigned	9,441,009	-	-	-	9,441,009
Total fund balance	<u>10,191,451</u>	<u>6,600,785</u>	<u>5,514,283</u>	<u>174,212</u>	<u>22,480,731</u>
Total liabilities and fund balance	<u>\$ 10,633,183</u>	<u>\$ 6,697,971</u>	<u>\$ 5,514,994</u>	<u>\$ 174,212</u>	<u>\$ 23,020,360</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2014

Total net position reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds (Exhibit A-2)	\$ 22,480,731
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the governmental funds.	1,393,279
Some revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current-period expenditures	119,083
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Sales tax refund payable	(150,000)
Accrued vacation	<u>(17,775)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 23,825,318</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the year ended June 30, 2014

	Special Revenue Funds				Total
	General	ESDRIM	Half Cent Sales Tax	Traffic Contribution	Governmental Funds
REVENUES					
Taxes:					
Sales and use	\$ 5,807,169	\$ -	\$ 1,061,322	\$ -	\$ 6,868,491
Franchise	-	1,545,317	-	-	1,545,317
Charges for services	1,009,078	-	-	9,800	1,018,878
Intergovernmental	61,433	38,776	-	-	100,209
Investment income	39,147	29,083	25,985	-	94,215
Total revenues	6,916,827	1,613,176	1,087,307	9,800	9,627,110
EXPENDITURES					
Current function:					
General government	583,871	-	-	-	583,871
Health and welfare	114,440	-	-	-	114,440
Public works	3,826,823	-	-	-	3,826,823
Highways and streets	50,764	734,701	48,951	-	834,416
Public safety	245,653	-	-	-	245,653
Capital outlay	16,282	139,014	-	-	155,296
Total expenditures	4,837,833	873,715	48,951	-	5,760,499
Net change in fund balance	2,078,994	739,461	1,038,356	9,800	3,866,611
FUND BALANCE					
Beginning of year	8,112,457	5,861,324	4,475,927	164,412	18,614,120
End of year	\$ 10,191,451	\$ 6,600,785	\$ 5,514,283	\$ 174,212	\$ 22,480,731

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF CENTRAL, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balance - total governmental fund (Exhibit A-4)	\$ 3,866,611
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay.

Capital outlay expense	\$ 155,296	
Depreciation expense	(143,502)	11,794

The liability and expense for compensated absences are not reported in governmental funds. Payments for compensated absences are reported as salaries when they occur. Only the payment consumes current financial resources, and it would take a catastrophic event for this liability to become a current liability.

(415)

Some revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures.

60,779

Some expenditures reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Sales tax refund payable	(150,000)	
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Change in net position of governmental activities (Exhibit A-1)	\$ <u>3,788,769</u>
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CITY OF CENTRAL, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement Presentation

The City of Central was established on July 11, 2005 and is a political subdivision of the State of Louisiana. The City, under the provisions of the Lawrason Act, enacts ordinances, sets policy and establishes programs in such fields as public safety, public works and social welfare.

The financial statements of the City of Central, Louisiana (City) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The significant accounting policies established in GAAP and used by the City are described below.

The financial statements comply with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34) and include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for the City’s activities, including infrastructure (roads, bridges, etc.) since inception; and
- Fund financial statements to focus on the major funds.

In 2014, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 65 introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. It also amends the financial statement element classification of certain items previously reported as assets and liabilities. Implementation of GASB Statement No. 65 had no impact on the City’s financial position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary municipal government, and where applicable (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The criteria for determining which component units should be considered part of the City for financial reporting purposes are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name;
- Whether the City governing authority (the Council and/or Mayor) appoints a majority of board members of the potential component unit;
- Fiscal interdependency between the City and the potential component unit;
- Imposition of will by the City on the potential component unit; and
- Financial benefit/burden relationship between the City and the potential component unit.

As required by generally accepted accounting principles, these financial statements present the City; there are no component units to be reported in the City's financial statements.

Basis of Presentation

The City's basic financial statements consist of the government-wide statements of the primary government (the City) and the fund financial statements (individual major funds and combined non-major funds). The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and applied to governmental units. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements and the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. Additionally, as of June 30, 2014, the City did not have any business-type activities and, therefore, does not issue a proprietary fund financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities for all non-fiduciary activities of the City. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the government as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as prepared by governments prior to the issuance of GASB No. 34. Emphasis is now on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund types are summarized into a single column in the basic financial statements. The City does not have any non-major funds or business-type categories.

The daily operations of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures or expenses, as appropriate. Funds are organized into three major categories: governmental, proprietary and fiduciary. The City does not have any proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental category.

A fund is considered major if it is the primary operating fund of the City (the General Fund) or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (continued)

- Total assets, liabilities, revenues, or expenditures/expense of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be expended and the means by which spending activities are controlled. The various funds of the primary government presented in the financial statements are described as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of expendable financial resources and related liabilities of the City are accounted for through governmental funds. Measurement is focused upon determining changes in financial position, rather than net income. The following are the governmental fund types of the City:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds that are considered major funds are the Emergency Services, Drainage, and Local Road Improvement & Maintenance Fund (ESDRIM Fund), the Half Cent Sales Tax Fund and the Traffic Contribution Fund. The ESDRIM Fund and the Half Cent Sales Tax Fund account for the collection of franchise tax and sales tax, respectively. The Traffic Contribution Fund accounts for contributions from local developers to assist with traffic related matters impacted by their developments.

Basis of Accounting and Measurement Focus

Government-wide financial statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Program revenues for governmental activities include operating grants, and licenses and permits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

Fund financial statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting. Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). "Available" means collectible within the current period or within 60 days after year-end. Charges for services and other governmental revenues are recorded as earned since they are measurable and available.

Nonexchange transactions, in which the City receives value without directly giving value in return, include sales and use tax, franchise tax, and state and federal grants. Sales taxes and franchise taxes are recorded when in possession of the intermediary collecting agent and are recognized as revenue at that time and subject to the availability criteria. Federal and state grants are recorded as revenue when the City is entitled to the funds, generally corresponding to when grant related costs are incurred by the City, but subject to the availability criteria.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) unmatured interest on general long-term debt which is recognized when due, and (2) claims and judgments, and compensated absences which are recorded as expenditures in the governmental fund type when paid with expendable financial resources. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

Cash, Cash Equivalents, and Investments

A consolidated bank account has been established into which substantially all monies are deposited and from which most disbursements are made. In addition, investment purchases are charged and maturities are deposited to the consolidated bank account. The purpose of this consolidation of bank accounts is to provide administrative efficiency and to maximize investment earnings.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment policy of the City is governed by state statutes that include depository and custodial contract provisions. The City invests funds in accordance with L.R.S. 39:1211-1245 and 33:2955 which include, but are not limited to, United States Treasury Bonds, Treasury Notes, Treasury Bills, and fully collateralized interest bearing checking accounts and certificates of deposit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Investments (continued)

Other provisions require depositories to insure or collateralize all deposits in accordance with state law and require securities collateralizing deposits to be held by an independent third party with whom the City has a custodial agreement. The City primarily invests idle funds in governmental obligations.

Investments are stated at fair market value. Unrealized gains and losses on investments recorded at fair value are included in investment income; such amounts, if any, are immaterial.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. For governmental activities, uncollectible amounts due for receivables are recognized as bad debts through the use of an allowance account or expensed at the time information becomes available indicating that the particular receivable is not collectible. In governmental fund types, the uncollectible amount is charged directly to the revenue reported. No allowance has been recorded in the current period.

Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds. Those related to short-term borrowings are classified as “due from other funds” or “due to other funds” on the balance sheet. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are expensed. Major outlays for capital assets and improvements are capitalized at completion of construction projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is computed using the straight-line method of depreciation over the asset's estimated useful life, as follows:

Leasehold improvements	5-7 years
Equipment	3-10 years
Vehicles	5 years
Infrastructure	10-20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are not capitalized. Instead, capital acquisition and construction are reflected as capital outlay expenditures in the governmental funds.

Compensated Absences

The City has the following policy relating to vacation and sick leave:

The full time employees of the City accrue four to five and a half hours of vacation leave, depending on length of service, for each two-week pay period worked for a total of 104 to 144 hours per year, respectively. Vacation is payable for up to 240 hours upon resignation, termination or retirement at the employee's current rate of pay. At June 30, 2014, \$17,775 of accrued vacation liability has been recorded in these financial statements as long-term payables.

Government-wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net invested in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance the acquisition of those assets.
- Restricted net position—consist of net position that is restricted by the City's creditors (for example, through debt covenants), by state or local enabling legislation (through restrictions on shared revenues or taxes), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted**—Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This included the Budget Reserve Account.
- **Assigned**—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- **Unassigned**—All amounts not included in other spendable classifications.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to apply the expenditure in the following priority:

1. Restricted fund balance,
2. Committed fund balance,
3. Assigned fund balance, and
4. Unassigned fund balance.

Fund balance represents the difference between assets and liabilities.

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to adoption of the budget.

The General Fund annual operating budget is prepared on the modified accrual basis of accounting. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Policy and Budgetary Accounting (continued)

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures of the subsequent period. Such designation represents the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of the government-wide financial statements during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for depreciation.

Subsequent events

The City has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date of the independent auditors' report, which was the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2014, the carrying amount of the City's deposits totaled \$8,946,635 and the related bank balances were \$8,944,617. The bank balance is secured by federal depository insurance and collateral held by the City's agent in the City's name.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's cash and investment policy, as well as state law, require that deposits be fully secured. At June 30, 2014, the City's deposits were not exposed to any custodial risk.

Investments

The City may invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana or other qualifying federally insured investments.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

The City's investments are obligations of U.S. government agencies. At June 30, 2014, the fair value/carrying value of investments in U.S. agency obligations totaled \$12,620,911 with all securities maturing between 1 and 3 years. At year end, the City's investments were not exposed to any custodial credit risk.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of investments. The City's investment policy does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Cash, Cash Equivalents, and Investments Summary

The above stated bank balances for the City are collateralized as follows:

	<u>Amount</u>
Category 1 - Amount insured by the FDIC	\$ 250,000
Category 2 - Amount collateralized with securities held by pledging financial institution's trust department in the City's name	5,500,774
Balances not subject to categorization:	
Investments in U.S. securities	<u>15,814,754</u>
Total bank balances	<u><u>\$ 21,565,528</u></u>

NOTE 3 - DUE FROM OTHER GOVERNMENTS AND ACCOUNTS RECEIVABLE

Due from other governments at June 30, 2014, consisted of amounts due from the City of Baton Rouge\Parish of East Baton Rouge (Parish) for the collection of sales and use tax, and grants due from the State of Louisiana, as follows:

	<u>Amount</u>
Sales and use tax	\$ 990,420
Grants	<u>11,591</u>
Total primary government	<u><u>\$ 1,002,011</u></u>

Accounts receivable at June 30, 2014, were as follows:

	<u>Amount</u>
Franchise fees	\$ 396,813
Other	<u>53,548</u>
Total primary government	<u><u>\$ 450,361</u></u>

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Construction in progress	\$ 73,512	\$ 2,105	\$ -	\$ 75,617
Capital assets being depreciated				
Leasehold improvements	74,561	-	-	74,561
Equipment	280,502	14,177	-	294,679
Vehicles	97,688	-	-	97,688
Infrastructure	1,272,875	139,014	-	1,411,889
Total capital assets	1,663,756	155,296	-	1,954,434
Less accumulated depreciation for:				
Leasehold improvements	42,865	10,252	-	53,117
Equipment	173,587	42,347	-	215,934
Vehicles	51,223	17,992	-	69,215
Infrastructure	149,978	72,911	-	222,889
Total accumulated depreciation	280,362	143,502	-	561,155
Total capital assets, net	\$ 1,383,394	\$ 11,794	\$ -	\$ 1,393,279

Depreciation expense for the year ended June 30, 2014 charged to general government, public safety, and highways and streets functions was \$15,859, \$52,649, and \$74,994, respectively.

NOTE 5 - LONG-TERM DEBT

Long-term debt obligations for the primary government's governmental activities at June 30, 2014 are as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Accrued compensated absences	\$ 17,360	\$ 3,794	\$ 3,379	\$ 17,775

Debt Service Requirements to Maturity

The City considers \$2,000 of the accrued compensated absences to be current and the remaining \$15,775 as long-term debt.

NOTE 6 - CONTINGENCIES

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There were no major changes in insurance coverage from the prior year and settlements have not exceeded coverage in the current year or the past three years.

Grants

The City receives federal, state, and local grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of City management that its compliance with the terms of grants will result in negligible, if any, disallowed costs.

Engineering Contracts

At June 30, 2014, the City had outstanding commitments related to engineering contracts of \$2,106.

Lawsuits

The City is involved in lawsuits arising in the normal course of business.

Subsequent to June 30, 2014, the City settled a lawsuit for \$150,000. See Note 12.

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS

Animal Control Services Agreement

The City entered into an agreement effective January 1, 2009, whereby the Parish agrees to provide all services of the Parish's Animal Control Department to the City. In consideration for the service provided by the Parish, the City will to pay the Parish an amount every calendar year. In January 2014, this agreement was amended to continue services through December 2014, requiring the City to pay the Parish \$114,440 annually, or \$9,537 per month.

City Operations Services Agreement

The City entered into an agreement with Institute for Building Technology and Safety (IBTS) beginning on July 1, 2011 and ending on June 30, 2016. IBTS agreed to provide management and operational services for City operations. These services include various administrative, financial, and public works services to the City. The City has an option to renew this contract for an additional two year term.

NOTE 7 - INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

City Operations Services Agreement (continued)

In consideration for the service provided by IBTS, the City will pay a fixed amount per year as base compensation as follows:

	<u>Amount</u>
July 1, 2014 through June 30, 2015	\$ 3,342,549
July 1, 2015 through June 30, 2016	<u>3,453,805</u>
Total	<u>\$ 6,796,354</u>

In addition to base compensation fees stated above, the City will also compensate IBTS, up to 100% of building permit fees for completed permits.

NOTE 8 - PENSION PLAN

Substantially all employees of the City can elect to be members of the Municipal Employees' Retirement System of Louisiana ("System"), Plan A, a cost sharing, multiple-employer defined benefit pension plan administered by a board of trustees.

Pertinent information relative to the plan is as follows:

Plan Description

All permanent employees working at least 35 hours per week who are paid wholly or in part from City funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary multiplied for each year of creditable service. Monthly retirement benefits paid under Plan A cannot exceed the lesser of 100 percent of final average salary or \$70 multiplied by total years of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average.

Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at ages specified above and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits are established or amended by state statute.

NOTE 8 - PENSION PLAN (CONTINUED)

Plan Description (continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained from the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana, 70809, or (225) 925-4810.

Funding Policy

Plan members are required by state statute to contribute 9.50 percent of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 18.75 percent of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contribution to the System under Plan A for the years ended June 30, 2014, 2013 and 2012 was approximately \$5,300, \$9,700 and \$9,200, respectively.

NOTE 9 - DEFERRED COMPENSATION PLAN

The City allows its employees to elect to participate in the State of Louisiana deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary to future years. The City matches the employee's contribution, which is limited to 12.4% of their salary. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the plan, including income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries. As required, the City established a custodial account with a third party administrator who holds the assets of the plan. Assets totaling approximately \$36,700 are held by Great-West, a deferred compensation administrator, under agreement with the City. Matching contributions from the City totaled approximately \$2,400, \$2,400 and \$2,300 for the years ended June 30, 2014, 2013 and 2012, respectively.

The City has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Under this statement, governments who have no responsibility for the plan and are not formally considered the plan's trustee are not required to report the plan in its financial statements. Since the City's employees are only participants in the plan and the plan assets are held in a custodial account with a third party administrator, the assets and liabilities are not presented in the City's financial statements.

NOTE 10 - RESTRICTED NET POSITION AND GOVERNMENTAL FUND BALANCES

Details of restricted net position and governmental fund balance as reported in the government-wide Statement of Net Position and governmental funds Balance Sheet, respectively, are as follows:

	<u>Governmental Activities</u>
Net assets restricted for:	
Capital projects and maintenance	
Dedicated sales tax for construction	\$ 3,859,998
Dedicated sales tax for rehabilitation	1,488,856
Dedicated sales tax for beautifaction	<u>165,428</u>
Total restricted fund balance	<u>\$ 5,514,283</u>

Details of committed fund balance as reported in the governmental funds Balance Sheet are as follows:

	<u>Governmental Activities</u>
Fund balance committed for:	
Operating reserve fund	\$ 750,000
Emergency, repairs and maintenance	
Dedicated franchise tax for emergency	2,310,275
Dedicated franchise tax for drainage	2,310,275
Dedicated franchise tax for road maintenance	<u>1,980,235</u>
Total restricted fund balance	<u>\$ 7,350,785</u>

(Continued)

NOTE 11 - MAYOR AND COUNCIL MEMBER COMPENSATION

During the year ended June 30, 2014, the Mayor and Council members received compensation, including per diem payments, as follows:

	<u>Amount</u>
Mayor Shelton Watts	\$ 55,000
Council Members:	
Ralph Washington, Mayor Pro-Tem	9,600
Louis DeJohn, Jr.	9,600
Anthony LoBue	9,600
Aaron Moak	9,600
Wayne Messina	<u>9,600</u>
Total	<u>\$ 103,000</u>

NOTE 12 - SUBSEQUENT EVENT

In November 2014, the 19th Judicial District Court rendered judgment against the City for a refund of sales taxes. As a result, the City is liable to refund approximately \$150,000 in sales taxes collected, including interest and legal costs incurred by plaintiff. This amount has been accrued in the government wide financial statements as sales tax refund payable.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTRAL, LOUISIANA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance - favorable (unfavorable)
REVENUES				
Sales and use taxes	\$ 5,397,797	\$ 5,688,488	\$ 5,807,169	\$ 118,681
Charges for services	829,756	936,256	1,009,078	72,822
Intergovernmental	227,049	62,409	61,433	(976)
Investment income	47,479	51,002	39,147	(11,855)
Total revenues	<u>6,502,081</u>	<u>6,738,155</u>	<u>6,916,827</u>	<u>178,672</u>
EXPENDITURES				
Current function:				
General government	738,984	627,699	583,871	43,828
Health and welfare	116,455	114,500	114,440	60
Public works	3,856,076	3,807,405	3,826,823	(19,418)
Highways and streets	82,760	55,279	50,764	4,515
Public safety - Police	192,587	236,108	245,653	(9,545)
Capital outlay	36,827	15,000	16,282	(1,282)
Total expenditures	<u>5,023,689</u>	<u>4,855,991</u>	<u>4,837,833</u>	<u>18,158</u>
Net change in fund balance	<u>\$ 1,478,392</u>	<u>\$ 1,882,164</u>	2,078,994	<u>\$ 196,830</u>
FUND BALANCE				
Beginning of year			<u>8,112,457</u>	
End of year			<u>\$ 10,191,451</u>	

CITY OF CENTRAL, LOUISIANA
ESDRIM FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Franchise taxes	\$ 1,443,795	\$ 1,602,737	\$ 1,545,317	\$ (57,420)
Intergovernmental	-	38,776	38,776	-
Investment income	<u>41,313</u>	<u>32,895</u>	<u>29,083</u>	<u>(3,812)</u>
Total revenues	<u>1,485,108</u>	<u>1,674,408</u>	<u>1,613,176</u>	<u>(61,232)</u>
EXPENDITURES				
Current function:				
Highways and streets	1,159,036	880,557	734,701	145,856
Capital outlay	<u>-</u>	<u>-</u>	<u>139,014</u>	<u>(139,014)</u>
Total expenditures	<u>1,159,036</u>	<u>880,557</u>	<u>873,715</u>	<u>145,856</u>
Net change in fund balance	<u>\$ 326,072</u>	<u>\$ 793,851</u>	<u>739,461</u>	<u>\$ (207,088)</u>
FUND BALANCE				
Beginning of year			<u>5,861,324</u>	
End of year			<u>\$ 6,600,785</u>	

**CITY OF CENTRAL, LOUISIANA
HALF CENT SALES TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Sales and use taxes	\$ 946,170	\$ 1,121,534	\$ 1,061,322	\$ (60,212)
Investment income	<u>31,053</u>	<u>36,500</u>	<u>25,985</u>	<u>(10,515)</u>
Total revenues	977,223	1,158,034	1,087,307	(70,727)
EXPENDITURES				
Current function:				
Highways and streets	<u>74,579</u>	<u>67,649</u>	<u>48,951</u>	<u>18,698</u>
Net change in fund balance	<u>\$ 902,644</u>	<u>\$ 1,090,385</u>	1,038,356	<u>\$ (52,029)</u>
FUND BALANCE				
Beginning of year			<u>4,475,927</u>	
End of year			<u>\$ 5,514,283</u>	

CITY OF CENTRAL, LOUISIANA
TRAFFIC CONTRIBUTION FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - favorable (unfavorable)</u>
REVENUES				
Charges for services	\$ 10,000	\$ 9,800	\$ 9,800	\$ -
EXPENDITURES				
Highways and streets	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 5,000</u>	<u>\$ 9,800</u>	9,800	<u>\$ -</u>
FUND BALANCE				
Beginning of year			<u>164,412</u>	
End of year			<u>\$ 174,212</u>	

CITY OF CENTRAL, LOUISIANA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended June 30, 2014

NOTE 1 - BUDGETS

Budget Policy and Budgetary Accounting

A proposed budget is prepared and submitted by the Mayor to the City Council prior to the beginning of each fiscal period. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the adoption of the budget.

The General Fund annual operating budget is prepared on the modified accrual basis of accounting. At the end of the fiscal period, unexpended appropriations automatically lapse. Budget amendments are approved by the City Council and are included in the financial statements.

In connection with budget preparation, a portion of the unreserved fund balance of an individual fund may be designated for expenditures in the subsequent period. Such designations represent the extent to which the fund balance is used to balance the subsequent period's operating budget of that fund, as reflected in the legally adopted budget.

Basis of Accounting

All of the City's funds' budgets are prepared on the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements for the year ended June 30, 2014. The City's basis of budgetary accounting follows generally accepted accounting principles.

SPECIAL INDEPENDENT AUDITORS' REPORTS

For the year ended June 30, 2014



**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council,
City of Central, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the **CITY OF CENTRAL, LOUISIANA (CITY)** as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2014-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

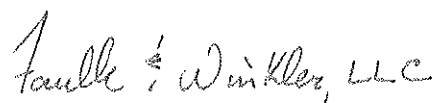
The City's Response to Finding

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the City Council and management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants

Baton Rouge, Louisiana
December 23, 2014

CITY OF CENTRAL, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES

For the year ended June 30, 2014

1) Summary of Auditors' Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
- B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2014-1.**
Material weaknesses: **None.**
- C) Noncompliance that is material to the financial statements: **None.**
- D) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2014-1.**

2) Findings – Financial Statement Audit

2014-1 Preparation of Financial Statements

Criteria: The City does not maintain a system of internal controls over reporting to ensure that external financial statement presentation and footnote disclosures are in conformity with generally accepted accounting principles.

Observation: The City relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the City's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Recommendation: Since, the City is satisfied with using its auditing firm to prepare the external financial statements, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Management understands that this deficiency results from professional standards that have been adopted by the accounting profession. The City generates the appropriate financial information to effectively manage and plan operations in a timely manner and does not consider their current situation to be deficient. However, management will review the resources necessary to prepare financial statements in accordance with generally accepted accounting principles, with full footnote disclosures, to determine if it would represent responsible financial stewardship.

CITY OF CENTRAL, LOUISIANA
SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended June 30, 2014

2013-1 Preparation of Financial Statements

This finding has been reclassified as 2014-1.